

# Executive Summary

Listed below are the highlights found in the 2000 Montana Workers' Compensation Annual Report, from the data. This report contains information about Montana's workers' compensation system, injury statistics and characteristics, benefits paid to claimants and payments made by insurers to others in the system, dispute resolution, and miscellaneous regulatory programs and functions.

## *Claims Statistics..... 11-22*

There were 32,720 claims reported in FY00 compared with 31,656 reported in FY99. This is an increase of 3.4% from FY99. The number of claims reported by the State Fund remained fixed while claims reported by private carriers increased by 9.8%. Claims reported by self-insurers decreased 6.2% from FY99.

The service industry was responsible for 24.6% of all claims reported in FY00. Retail trade had the second largest percentage of claims, 14.6%.

From FY96 to date, the percentage of males reporting work related injuries has held steady at approximately two-thirds of all cases reported. In other words, for every claim filed by a female, males filed approximately two.

The typical injured worker is male, employed in a service industry, and suffering a strain or sprain to an upper extremity.

## *Benefits..... 23-32*

The total indemnity (wage loss) and medical benefits paid in FY00 was \$155,122,499 compared to \$139,568,077 in FY99. This is an increase of \$15,554,422 or 11.1%.

There was an upward trend in both indemnity and medical benefit payments by private carriers (plan 2), while payments by the State Fund (plan 3) and self-insurers (plan 1) remained static.

The payment information reported to the Department of Labor & Industry on subsequent reports is for indemnity claims only. The date of injury, and average payment and duration by benefit type, are calculated to present a comparison between benefits over time. This year's presentation contains data from claims closed during one year. The Department cautions readers against making comparisons or reaching conclusions based solely on this data.

Average settlement amounts have been decreasing since 1987, corresponding to legislative reductions in benefits to injured workers.

In FY00, attorneys represented injured workers in 2.5% of all claims reported, but attorneys represented injured workers in 51% of all claims settled in FY00.

## *Analysis of Wage Replacement Benefits ..... 33-44*

A special closed claim study by Insurance Services Office, Inc., analyzed wage replacement benefits in Montana from FY95 to FY00. The data, provided by the Employment Relations Division (ERD), were gathered from subsequent reports and settlement petitions.

Wage benefits received by workers' compensation claimants replace an average of 50.9% of pre-injury gross wages. Temporary Total (TTD) claims have the highest wage replacement rate (60.0%) relative to other injury types. Female claimants have a higher average wage replacement rate (58.9%) than male claimants (45.0%). This is due in part to the fact that the average salary for female claimants is lower than for male claimants. Claimants with lower pre-injury wage levels are less affected by the maximum benefit threshold and thus will have a higher replacement rate of lost wages.

Workers in the finance and services industries have the highest wage replacement rates of all industries, whereas workers in the construction and mining industries exhibit the lowest. These results are driven by a strong negative correlation between the average wage level in an industry and the wage replacement rate.

## *Dispute Resolution ..... 45-64*

The Claims unit of the Employment Relations Division is responsible for the occupational disease (OD) panel process. In FY00, 192 OD cases were processed.

The number of mediation petitions received in FY00 rose 7.2% from FY99. Mediation resolved approximately 78% of its cases over the past 5 years. In FY00, mediation took an average of 38 days to complete a case for which a conference was held and a written recommendation issued.

The Hearings Bureau received 31 petitions for contested case hearing in FY00, a decrease of 55% from FY99. The Hearings Bureau closed or settled 38 petitions in FY00.

The Workers' Compensation Court received 255 petitions, dismissed 175 petitions, and issued 66 decisions in FY00.

## *Cost of Regulatory Functions..... 56*

The cost of administering the Workers' Compensation and Occupational Disease Acts and the various occupational safety laws is funded by an assessment to the Plan 1, Plan 2, and Plan 3 insurers. The cost of the regulatory functions in FY00 was \$3,954,650. Beginning in FY2000, a new process was instituted and each insurer was assessed 3% of benefits paid.

## *Subsequent Injury Fund ..... 57*

Subsequent Injury Fund (SIF) payments in FY00 for all dates of injury were \$58,944. There were 200 new SIF certifications during FY00 resulting in a total of 2,693 certified employees in the state of Montana.

## *Uninsured Employers Fund (UEF) ..... 58-59*

Over \$1,760,000 in penalties was assessed against uninsured employers in FY00. Approximately \$1,580,000 in penalties was collected by the UEF unit in FY00 compared with collections in FY99 of \$1,077,146.

In FY00, the UEF unit received 87 new claims. The UEF unit paid injured workers a total of \$497,201 in medical and wage loss benefits in FY00.

## *Occupational Safety & Health ..... 60-61*

The Safety & Health Bureau completed 250 mandatory inspections of public employers and 207 on-site inspections of private employers. There were 32 coal mining inspections performed and 160 metal/nonmetal-mining inspections.

There were 58 formal training sessions conducted by the Bureau in FY00. The number of public sector workers trained in FY00 totaled 572, while the number of private sector workers trained in FY00 totaled 608.

## *Independent Contractor Exemptions .....62*

In FY00 there were 4,824 new independent contractor exemptions issued, 1,400 renewals, and a total of 24,637 active independent contractors. The construction industry accounted for approximately 53% of all independent contractors.

An individual who meets the definition of an independent contractor may apply for an exemption from obtaining workers' compensation insurance coverage as an individual.

## *Professional Employer Organizations (PEOs) .....63*

In order to become licensed as a PEO, an application must be submitted which includes proof of workers' compensation coverage. Currently, the department has licensed 15 PEOs. These PEOs represent 351 Montana clients, which is an increase of 21% since FY96.